

2018



WITZENBERG
Municipality • Munisipaliteit • UMasipala Wase

Annual Financial Statements

30 June 2018



WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Witzenberg Municipality is a local municipality performing the functions as set out in Part B of Schedules 4 & 5 of the Constitution of the Republic of South Africa. (Act No. 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Witzenberg Municipality includes the following areas:

Ceres
Op-die-Berg
Prince Alfred's Hamlet
Tulbagh
Wolseley

MUNICIPAL MANAGER

D Nasson

CHIEF FINANCIAL OFFICER

HJ Kritzing

REGISTERED OFFICE

50 Voortrekker Street, Ceres, 6835

AUDITORS

Auditor-General South Africa

PRINCIPAL BANKERS

Standard Bank, Ceres
First National Bank

RELEVANT LEGISLATION

The Constitution of the Republic of South Africa
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004), as amended
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations
Remuneration of Public Office Bearers Act
Workman's Compensation Act

WITZENBERG MUNICIPALITY

COUNCILLORS OF THE WITZENBERG MUNICIPALITY

Position	Surname	Party	Seat type
Executive Mayor	Klaasen, BC	DA	PR
Deputy Executive Mayor	Adams, K	DA	Ward 6
Speaker	Godden, TT	COPE	PR
Member of Mayoral Committee	Sidego, EM	DA	Ward 11
Member of Mayoral Committee	Alderman Smit, HJ	DA	Ward 5
Member of Mayoral Committee	Visagie, JJ	DA	Ward 4
Member of Mayoral Committee	Abrahams, T	DA	PR
Ordinary Councillor	Kinnear, D	DA	PR
Ordinary Councillor	Laban, G	WA	PR
Ordinary Councillor	Alderman Schuurman, J W	ANC	PR
Ordinary Councillor	Phungula, JT	ANC	PR
Ordinary Councillor	Jacobs, DM	EFF	PR
Ordinary Councillor	Herandien, P	ICOSA	PR
Ordinary Councillor	Simpson, RJ	ANC	PR
Ordinary Councillor	Mzauziwa, Z	DA	PR
Ordinary Councillor	Phatsoane, N	ANC	Ward 1
Ordinary Councillor	Lottering, C	DA	Ward 2
Ordinary Councillor	Swart, D	DA	Ward 3
Ordinary Councillor	Daniels, P	DA	Ward 7
Ordinary Councillor	Visagie, H	ANC	Ward 8
Ordinary Councillor	Hugo, SJ	ANC	Ward 9
Ordinary Councillor	Mgoboza, TP	ANC	Ward 10
Ordinary Councillor	Mdala, M	ANC	Ward 12

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

D Nasson
Accounting Officer

Date

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 R	Restated 2017 R
ASSETS			
Current Assets		181 009 584	152 160 761
Cash and Cash Equivalents	2	97 505 902	76 333 137
Trade and other Receivables from Exchange Transactions	3	51 223 415	50 267 611
Receivables from non-exchange transactions	4	11 157 145	8 085 294
Inventory	5	11 401 816	9 347 496
Unpaid Conditional Government Grants and Receipts	6	2 379 679	2 262 670
VAT Receivable (net)	7	7 341 627	5 864 553
Non-Current Assets		905 196 833	875 033 256
Property, Plant and Equipment	8	843 227 481	808 010 681
Intangible Assets	9	2 649 406	2 506 094
Investment Property	10	45 659 822	47 880 986
Heritage assets	11	550 000	550 000
Operating Lease Asset	12	5 095	9 947
Capitalised Restoration Cost	13	13 105 029	16 075 548
Total Assets		1 086 206 417	1 027 194 017
LIABILITIES			
Current Liabilities		80 892 887	74 827 180
Trade and Other Payable Exchange Transactions	14	44 888 335	44 691 287
Consumer Deposits	15	6 416 771	5 395 421
Current Employee benefits	16	19 695 805	17 446 827
Unspent Conditional Government Grants and Receipts	6	5 750 092	2 601 158
Unspent Public Contributions	17	1 865 504	975 236
Current Portion of Borrowings	18	2 276 380	3 717 251
Non-Current Liabilities		157 916 726	153 138 093
Borrowings	18	5 192 288	7 503 284
Non-Current Provisions	19	71 466 568	70 249 120
Employee benefits	20	81 257 870	75 385 689
Total Liabilities		238 809 613	227 965 273
Net Assets		847 632 676	799 228 743
Capital Replacement Reserve	21	10 354 788	10 354 788
Accumulated Surplus		837 277 887	788 873 955
Total Net Assets and Liabilities		1 086 442 289	1 027 194 016

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017	2017	2017
	Notes	(Actual) R	(Restated) R	Reclassification and Correction of error R	(Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		220 379 722	276 395 283	911 994	275 483 289
Taxation Revenue		64 506 631	61 101 436	-	61 101 436
Property rates	22	63 835 379	59 649 031	-	59 649 031
Property Rates - penalties imposed and collection charges		671 252	1 452 405	-	1 452 405
Transfer Revenue		155 873 091	215 293 847	911 994	214 381 853
Fines		-	-	(19 242 291)	19 242 291
Fines, Penalties and Forfeits		22 001 770	18 923 441	18 923 441	-
Licences or Permits		1 164 358	141 796	141 796	-
Surcharges and Taxes		3 963 004	-	-	-
Government Grants and Subsidies - Capital	23	34 481 262	38 768 028	-	38 768 028
Government Grants and Subsidies - Operating	23	93 967 249	102 517 686	1 089 048	101 428 638
Public Contributions and Donations		295 448	54 942 896	-	54 942 896
Revenue from Exchange Transactions		344 029 088	320 270 681	(141 796)	320 412 477
Service Charges	24	306 169 572	286 621 189	-	286 621 189
Rental of Facilities and Equipment		-	-	(8 176 974)	8 176 974
Rental from Fixed Assets		5 989 524	5 625 637	5 625 637	-
Interest earned - External investments		8 121 547	8 511 695	-	8 511 695
Interest Income and Dividends		10 372 977	7 816 318	-	7 816 318
Licences and Permits		-	-	(141 796)	141 796
Agency Services		3 586 464	4 352 440	-	4 352 440
Other Income		-	-	(4 792 065)	4 792 065
Operational Revenue	25	4 576 453	759 653	759 653	-
Sales of Goods and Rendering of services	26	5 212 551	6 583 749	6 583 749	-
Total Revenue		564 408 810	596 665 964	770 198	595 895 766
EXPENDITURE					
Employee related costs	27	153 006 417	140 549 644	7 217 082	133 332 562
Remuneration of Councillors	28	9 170 071	8 779 575	-	8 779 575
Impairment	29	39 571 146	36 798 779	(910 694)	37 709 473
Inventory Consumed		15 173 256	16 767 107	16 767 107	-
Operational Cost		31 552 357	28 421 287	28 421 287	-
Collection Costs		-	-	(773 248)	773 248
Depreciation and Amortisation	30	28 497 854	26 142 546	-	26 142 546
Repairs and Maintenance		-	0	(23 000 709)	23 000 709
Unamortised Discount - Interest paid		-	-	(615 809)	615 809
Interest Paid	32	15 373 850	17 572 906	615 809	16 957 097
Bulk Purchases	33	179 705 387	181 325 287	2 122 483	179 202 804
Contracted Services		36 100 762	30 676 812	(11 192 340)	41 869 152
Grants and Subsidies		-	-	(941 038)	941 038
General Expenses	35	-	(0)	(43 760 685)	43 464 693
Transfers and Subsidies: Operational Expenditure	34	13 920 192	25 615 338	25 615 338	-
Rent on Land		25 833	-	-	-
Operating Leases		855 912	782 317	782 317	-
Total Expenditure		522 953 038	513 431 599	346 901	512 788 706
Gain / (loss) on disposal of assets		(1 077 254)	228 298	(3 545)	231 843
(Impairment loss) / Reversal of impairment loss	31	(20 192)	(137 679)	-	(137 679)
Gain / (loss) on Adjustment of Provision		5 184 679	-	-	-
Inventories: (Write-down) / Reversal of write-down		274	-	-	-
Gain / (loss) on Actuarial Valuations	20	2 860 653	14 114 503	-	14 114 503
NET SURPLUS FOR THE YEAR		48 403 932	97 439 487	419 752	97 315 727

WITZENBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
		R	R	R
Balance at 1 JULY 2016		9 548 191	692 241 066	701 789 257
Restated Balance at 1 JULY 2016		9 548 191	692 241 066	701 789 257
Contribution to Capital Replacement Reserve		23 364 843	(23 364 843)	-
Property, Plant and Equipment purchased		(22 558 245)	22 558 245	-
Restated Net Surplus for the year		-	97 439 487	97 439 487
Balance at 30 JUNE 2017		10 354 789	788 873 955	799 228 744
Transfers to/from Accumulated		25 706 031	(25 706 031)	-
Property, Plant and Equipment purchased		(25 706 031)	25 706 031	-
Net Surplus for the year		-	48 403 932	48 403 932
Balance at 30 JUNE 2018		10 354 789	837 277 887	847 632 676

WITZENBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 JUNE 2018 R	30 JUNE 2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation	37	63 593 716	59 159 651
Sales of goods and services		309 983 053	282 928 620
Government Grants		128 743 959	131 276 989
Interest		19 165 776	17 780 418
Payments			
Employee costs		(142 331 110)	(122 649 702)
Suppliers		(279 561 289)	(303 050 281)
Finance charges	32	(15 373 850)	(16 957 097)
Transfers and Grants		-	(941 038)
Cash generated by operations	37	84 220 256	47 547 560
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(63 621 250)	(115 907 013)
Purchase of Intangible Assets	9	(187 741)	-
Proceeds on Disposal of Fixed Assets		3 557 802	3 036 713
Increase/(Decrease) in Long-term Receivables		-	7 495
Net Cash from Investing Activities		(60 251 189)	(112 862 805)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(3 817 652)	(9 952 289)
Increase in Consumer Deposits		1 021 350	448 719
Net Cash from Financing Activities		(2 796 302)	(9 503 570)
NET INCREASE/(DECREASE IN CASH AND CASH EQUIVALENTS)		21 172 765	(74 818 815)
Cash and Cash Equivalents at the beginning of the year		76 333 137	97 039 728
Cash and Cash Equivalents at the end of the year	2	97 505 902	76 333 137
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		21 172 765	(20 706 591)

WITZENBERG MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Actual 2018 R	Approved budget 2018 R	Adjustments 2018 R	Final budget 2018 R	Difference between final budget and	Actual 2017 R
Operating Revenue						
Property rates	63 835 379	64 943 191	-	64 943 191	-2%	59 649 031
Property Rates - penalties imposed and collection charges	671 252	1 512 000	(1 512 000)	-	-100%	1 452 405
Fines, Penalties and Forfeits	22 001 770	14 668 122	-	14 668 122	50%	18 923 441
Licences or Permits	1 164 358	150 188	(1 500)	148 688	683%	141 796
Surcharges and Taxes	3 963 004	7 434	2 801 072	2 808 506	41%	-
Government Grants and Subsidies - Capital	34 481 262	63 229 578	(27 945 969)	35 283 609	-2%	38 768 028
Government Grants and Subsidies - Operating	93 967 249	97 846 421	1 172 631	99 019 052	-5%	102 517 686
Public Contributions and Donations	295 448	-	-	-	0%	54 942 896
Service Charges	306 169 572	302 714 081	5 700 000	308 414 081	-1%	286 621 189
Rental from Fixed Assets	5 989 524	9 650 377	-	9 650 377	-38%	5 625 637
Interest earned - External investments	8 121 547	4 565 157	-	4 565 157	78%	8 511 695
Interest Income and Dividends	10 372 977	8 583 973	1 512 000	10 095 973	3%	7 816 318
Agency Services	3 586 464	4 617 957	-	4 617 957	-22%	4 352 440
Operational Revenue	4 576 453	1 036 302	3 190 000	4 226 302	8%	759 653
Sales of Goods and Rendering of services	5 212 551	2 476 977	-	2 476 977	110%	6 583 749
Total revenue	564 408 810	576 001 758	-15 083 766	560 917 992	-0.6%	596 665 964
Operating Expenditure						
Employee related costs	153 006 417	158 053 672	(4 990 817)	153 062 855	0.0%	140 549 644
Remuneration of Councillors	9 170 071	10 082 934	-	10 082 934	9.1%	8 779 575
Impairment	39 571 146	27 092 430	12 500 000	39 592 430	0.1%	36 798 779
Bad Debts Written Off			55 003 500	55 003 500	100.0%	
Inventory Consumed	15 173 256	18 522 735	(246 054)	18 276 681	17.0%	16 767 107
Operational Cost	31 552 357	36 714 478	490 533	37 205 011	15.2%	28 421 287
Depreciation and Amortisation	28 497 854	46 045 465	(700 000)	45 345 465	37.2%	26 142 546
Interest Paid	15 373 850	10 707 895	4 756 000	15 463 895	0.6%	17 572 906
Bulk Purchases	179 705 387	183 215 265	(308 920)	182 906 345	1.8%	181 325 287
Contracted Services	36 100 762	38 605 232	2 963 515	41 568 747	13.2%	30 676 812
Transfers and Subsidies: Operational Expenditure	13 920 192	15 762 921	1 445 609	17 208 530	19.1%	25 615 338
Rent on Land	25 833	20 000	11 000	31 000	16.7%	-
Operating Leases	855 912	3 205 780	(1 321 258)	1 884 522	54.6%	782 317
Total expenditure	522 953 038	548 028 807	69 603 108	617 631 915	15.3%	513 431 599
Surplus/(deficit) for the period	41 455 772	27 972 951	-84 686 874	-56 713 923	173.1%	83 234 365
Operating expenditure by vote						
Budget & Treasury Office	27 133 536	48 436 450	(8 141 436)	40 295 014	32.7%	31 905 693
Civil Services	99 007 864	92 729 443	64 720 084	157 449 527	37.1%	107 163 793
Community & Social Services	27 156 890	30 877 066	(62 056)	30 815 010	11.9%	26 784 842
Corporate Services	35 403 257	35 046 208	1 013 152	36 059 360	1.8%	34 221 320
Electro Technical Services	201 268 467	208 479 599	(598 500)	207 881 099	3.2%	202 333 897
Executive & Council	22 987 266	25 360 353	(33 799)	25 326 554	9.2%	23 025 003
Housing	16 465 027	18 002 758	1 462 278	19 465 036	15.4%	27 456 019
Planning	8 236 953	8 900 154	(509 404)	8 390 750	1.8%	7 539 676
Public Safety	40 440 006	32 524 542	9 676 953	42 201 495	4.2%	32 530 809
Sport & Recreation	44 853 772	47 672 234	2 075 836	49 748 070	9.8%	20 470 545
Total operating expenditure by vote	522 953 038	548 028 807	69 603 108	617 631 915	15.33%	513 431 597
Capital expenditure by vote						
Budget & Treasury Office	214 797	180 000	299 719	479 719	55.2%	162 534
Civil Services	42 344 722	57 070 923	(13 925 304)	43 145 619	1.9%	48 276 119
Community & Social Services	803 709	1 585 000	6 199	1 591 199	49.5%	910 051
Corporate Services	975 562	822 000	327 828	1 149 828	15.2%	285 353
Electro Technical Services	4 760 602	3 364 193	1 491 766	4 855 959	2.0%	6 831 879
Planning	56 601	85 000	(26 151)	58 849	3.8%	-
Public Safety	2 866 654	650 000	2 267 749	2 917 749	1.8%	100 273
Sport & Recreation	11 258 642	19 139 594	(7 679 695)	11 459 899	1.8%	2 216 854
Total capital expenditure	63 808 990	83 246 710	-17 029 269	66 217 441	3.64%	58 783 063

The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June.

The budget and accounting bases are the same; both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

The changes between the approved and final budget are a consequence of reallocations within the budget and and of other factors allowable in terms of the Municipal Finance Management Act

Please refer to Note 40 for more information on budget comparisons.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2		2018 R	2017 R
	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Deposits and Investments	-	-
	Cash at Bank	97 496 777	76 324 212
	Cash on Hand	9 125	8 925
	Total Cash and Cash Equivalents - Assets	97 505 902	76 333 137
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality has the following bank accounts:		
	Cash book balance at beginning of year	76 324 212	97 031 303
	Cash book balance at end of year	97 496 777	76 324 212
	The municipality changed its Primary Bank Account from The Standard Bank of South Africa Limited to First National Bank South Africa on 1 March 2018. The ABSA and Standard Bank accounts has not been closed at year end as some debtors still pay their service accounts into the old accounts.		
	Primary Bank Account: First National Bank - Account Number 62748215979		
	Bank statement balance at beginning of year	-	-
	Bank statement balance at end of year	96 312 306	-
	Standard Bank Limited - Account Number 203241819		
	Bank statement balance at beginning of year	77 200 939	100 229 291
	Bank statement balance at end of year	274 415	77 200 939
	ABSA Bank Limited - Account Number 350000011		
	Bank statement balance at beginning of year	248 613	58 202
	Bank statement balance at end of year	69 379	248 613
	3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	36 362 313	41 278 142
	Water	56 506 812	67 600 296
	Property Rental Debtors	1 198 858	1 483 430
	Waste Management	29 212 792	34 837 265
	Waste Water Management	25 612 216	29 290 326
	Service Charges	1 407 810	2 543 476
	Prepayments and Advances	1 943 912	1 555 975
	Land Sale Debtors	368 058	1 064 460
	Total Receivables from Exchange Transactions	152 612 770	179 653 370
	Less: Provision for Impairment	(101 389 355)	(129 385 759)
	Total Net Receivables from Exchange Transactions	51 223 415	50 267 611
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS
1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GRAP 107	Mergers
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (as revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16(AC449)	Hedges in a Net Investment in a Foreign Operation
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. PRESENTATION AND DISCLOSURE

The municipality implemented the Municipal Standard Chart of Accounts (MSCOA) during the year ended 30 June 2018, as required by National Treasury through directives and guidelines issued.

1.4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.5. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.7. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18	Segment Reporting Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.	After 1 April 2020
GRAP 20	Related Party Disclosures The impact of this Standard on the financial statements will be minimal.	After 1 April 2019
GRAP 32	Service Concession Arrangements: Grantor No significant impact is expected as the Municipality does not participate in such business transactions.	After 1 April 2019
GRAP 34	Separate Financial Statements. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 35	Consolidated Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Standard	Description	Effective Date
GRAP 36	Investments in Associates and Joint Ventures. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 37	Joint Arrangements. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 38	Disclosure of Interests in Other Entities. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 108	Statutory receivable No significant impact is expected as the Municipality does not participate in such business transactions.	After 1 April 2019
GRAP 109	Accounting by Principals and Agents No significant impact is expected as the Municipality does not participate in such business transactions.	After 1 April 2019
GRAP 110	Living and Non-Living Resources No significant impact is expected as the Municipality does not participate in such business transactions.	After 1 April 2020
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 18	Interpretation of the standard of GRAP on recognition and derecognising of land No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 19	Liabilities to pay levies No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

1.8. RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.9. LEASES

1.9.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately disclosed on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12. PROVISIONS

1.12.1. GENERAL PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.12.2. REHABILITATION OF LANDFILL SITES PROVISIONS

Provision is made in terms of the licensing stipulations of the landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have discounted to present value at prime interest rate.

1.13. EMPLOYEE BENEFITS

1.13.1. Post-Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13.2. Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13.3. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.13.4. Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.13.5. Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.13.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.14.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	5-100	Airports	20
Electricity	4-46	Buildings	30-100
Water	15-150	Computer equipment	3-30
Sanitation	15-75	Furniture and equipment	3-30
Other	10-15	Landfill sites	10-15
		Markets	30
Community		Other	3-30
Recreational Facilities	5-30	Other vehicles	2-67
Sport fields & Stadia	10-20	Plant and Equipment	5-32
Halls	5-100	Specialist vehicles	6-38
Libraries	10-30		
Parks and gardens	10-30		
Other assets	5-30		
Cemeteries	5-30		
Finance lease assets			
Office equipment	3-5		

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.14.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional arrangement as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The municipality updated the Land and Buildings acquired before 30 June 2008 to the fair value as determined by an independent valuator. For Other Assets the depreciation replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.15. INTANGIBLE ASSETS**1.15.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

the municipality intends to complete the intangible asset for use or sale;
it is technically feasible to complete the intangible asset;
the municipality has the resources to complete the project; and
it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	3-20
Computer Software Licenses	3-20

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.15.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INVESTMENT PROPERTY

1.16.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.16.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	99 - 100

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.16.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. HERITAGE ASSETS

1.17.1. Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

1.17.2. Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3. Impairment

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.17.4. De-recognition

The carrying amount of a heritage asset is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

Depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. COMMITMENTS

Commitments are future payments and expenditure to be incurred on contracts that have been entered into at the reporting date and where there are unperformed obligations. The commitments would include both capital and operating items.

Committed expenditure approved and contracted for at reporting date is where the expenditure has been approved and the contract has been awarded.

Committed expenditure approved but not yet contracted for at reporting date is where the expenditure has been approved but the contract has yet to be awarded or is awaiting finalisation.

1.20. INVENTORIES

1.20.1. Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

The cost of purified water comprises cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

1.20.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.22.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1. Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.2.4. Non-Current Investments

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22.3. De-recognition of Financial Instruments

1.22.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired; or
the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23. REVENUE

1.23.1. Revenue from Non-Exchange Transactions

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised when issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter vouchers is recognised eight days after the sale of the relevant voucher.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23.3. Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and ordinary councillors.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. PRESENTATION OF BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. JOINT VENTURES

In respect of the municipalities' interest in jointly controlled assets, the municipality includes in its accounting records and recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other ventures in relation to the joint venture;

-
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
 - any expenses that it has incurred in respect of its interest in the joint venture.

1.33. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED	2018 R	2017 R
Included in receivables is the following accrued income (estimated consumption from the last meter reading to 30 June):		
Accrued Income Electricity	19 121 877	22 054 254
Accrued Income Water	4 166 594	4 178 417
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Accrued Income Electricity	19 121 877	22 054 254
Current (0 - 30 days)	11 335 243	13 694 594
31 - 60 Days	1 018 070	788 519
61 - 90 Days	640 885	467 181
+ 90 Days	4 246 238	4 273 593
Total	36 362 313	41 278 142
<u>(Water): Ageing</u>		
Accrued Income Water	4 166 594	4 178 417
Current (0 - 30 days)	3 472 654	3 287 256
31 - 60 Days	1 838 580	1 520 906
61 - 90 Days	1 602 118	1 074 176
+ 90 Days	45 426 866	57 539 542
Total	56 506 812	67 600 296
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	72 278	27 969
31 - 60 Days	36 775	22 568
61 - 90 Days	33 352	21 392
+ 90 Days	1 056 453	1 411 500
Total	1 198 858	1 483 430
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	2 562 428	1 925 775
31 - 60 Days	844 621	752 979
61 - 90 Days	619 550	601 750
+ 90 Days	25 186 193	31 556 762
Total	29 212 792	34 837 265
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1 877 644	1 741 493
31 - 60 Days	864 880	771 514
61 - 90 Days	642 908	585 095
+ 90 Days	22 226 785	26 192 224
Total	25 612 216	29 290 326
<u>(Other): Ageing</u>		
Current (0 - 30 days)	1 970 427	729 918
31 - 60 Days	26 543	36 140
61 - 90 Days	23 708	27 418
+ 90 Days	1 331 044	1 750 000
Total	3 351 722	2 543 476

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED	2018 R	2017 R
<u>(Land Sales): Ageing</u>		
+ 90 Days	368 058	1 064 460
Total	368 058	1 064 460
<u>(Total): Ageing</u>		
Accrued Income	23 288 472	26 232 671
Current (0 - 30 days)	21 290 674	21 407 005
31 - 60 Days	4 629 468	3 892 624
61 - 90 Days	3 562 520	2 777 013
+ 90 Days	99 841 637	123 788 081
Total	152 612 770	178 097 395
Reconciliation Provision for Impairment		
Opening Balance	-129 385 760	(106 316 172)
Recognised	-24 346 623	-23 083 710
Bad Debts Written Off	52 343 027	14 123
Balance at end of year	(101 389 356)	(129 385 758)

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers living in poverty. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Property Rates	23 955 487	23 713 824
Other Receivables	55 193 347	37 909 354
Fines	54 427 930	37 160 630
Deposits	224 615	224 615
SARS	160 685	524 109
Other receivables	380 117	-
Total Receivables from Non-Exchange Transactions	79 148 834	61 623 178
Less: Provision for Impairment	(67 991 689)	(53 537 884)
Total Net Receivables from Non-Exchange Transactions	11 157 145	8 085 294

Ageing of Receivables from Non-Exchange Transactions:

<u>(Rates): Ageing</u>		
Current (0 - 30 days)	2 587 910	2 031 228
31 - 60 Days	460 267	407 965
61 - 90 Days	243 690	208 672
+ 90 Days	20 663 620	21 065 958
Total	23 955 487	23 713 823
Reconciliation Provision for Impairment		
Opening Balance	(53 537 884)	(38 940 848)
Recognised	(15 224 523)	(14 597 036)
Bad Debts Written Off	770 718	-
Balance at end of year	(67 991 689)	(53 537 884)
Included in the provision for bad debt are the following amounts in respect of traffic fines	(49 814 580)	(32 939 080)

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers living in poverty. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5	INVENTORY	2018 R	2017 R
	Consumables	1 372 307	915 881
	Materials and Supplies	9 857 241	8 265 276
	Water	172 268	166 339
	Total Inventory	11 401 816	9 347 496
	Consumable stores materials written down due to losses as identified during the annual stores counts.	(274)	-
	Consumable stores inventory recognised as an expense during the year	14 923 608	10 528 826
	No inventories is pledged as security for liabilities		
6	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	5 750 092	2 601 158
	National Government Grants	489 223	471 476
	Provincial Government Grants	4 360 869	1 829 682
	District Municipality	900 000	300 000
	Less: Grants spend but not yet received	2 379 679	2 262 670
	National Government Grants	1 110 256	1 281 584
	Provincial Government Grants	1 269 423	981 086
	Total Conditional Grants and Receipts	3 370 413	338 488
	Please refer to Note 23 for more information on specific grants.		
7	VAT		
	VAT PAYABLE		
	VAT Payable	-	-
	VAT output in suspense	1 895 159	4 453 269
		1 895 159	4 453 269
	VAT RECEIVABLE		
	VAT Receivable	-	-
	VAT input in suspense	9 236 786	10 317 822
		9 236 786	10 317 822
	NET VAT RECEIVABLE/(PAYABLE)	7 341 627	5 864 553
	VAT is receivable/payable on the cash basis.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8 PROPERTY, PLANT AND EQUIPMENT

8.1 30 JUNE 2018

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community Assets R	Leased Assets R	Other Assets R	Total R
Carrying value at 1 July 2017	77 940 867	92 037 334	526 720 662	69 702 934	629 893	41 027 288	808 058 978
Cost	77 940 867	101 276 813	651 092 337	76 987 664	1 893 599	73 418 813	982 610 093
Original Cost	77 940 867	101 276 813	651 092 337	76 987 664	1 893 599	73 418 813	982 610 093
Accumulated Impairment	-	-	(19 803)	-	-	(632 535)	(652 338)
Original Cost	-	-	(19 803)	-	-	(632 535)	(652 338)
Accumulated Depreciation	-	(9 239 479)	(124 351 872)	(7 284 730)	(1 263 706)	(31 758 990)	(173 898 777)
Original Cost	-	(9 239 479)	(124 351 872)	(7 284 730)	(1 263 706)	(31 758 990)	(173 898 777)
Acquisitions	-	-	50 402 262	823 338	-	12 395 650	63 621 250
Capital under Construction	-	-	-	-	-	-	-
Transfers	-	-	2 277 177	-	-	(2 577 177)	(300 000)
Cost	-	-	2 277 177	-	-	(2 577 177)	(300 000)
Impairments	-	-	-	-	-	(20 192)	(20 192)
Impairment	-	-	-	-	-	(20 192)	(20 192)
Depreciation	-	(1 105 964)	(15 762 295)	(1 852 403)	(603 524)	(6 565 981)	(25 890 168)
Normal Depreciation for the year	-	(1 105 964)	(15 762 295)	(1 852 403)	(603 524)	(6 565 981)	(25 890 168)
Carrying value of disposals	(570 000)	(967 712)	-	-	-	(704 676)	(2 242 388)
Cost	(570 000)	(1 084 856)	-	-	-	(1 540 818)	(3 195 674)
Accumulated Impairment	-	-	-	-	-	37 193	37 193
Accumulated Depreciation	-	117 144	-	-	-	798 949	916 093
Carrying value at 30 June 2018	77 370 867	89 963 657	563 637 806	68 673 868	26 370	43 554 912	843 227 480
Cost	77 370 867	100 191 957	703 771 776	77 811 002	1 893 599	81 696 468	1 042 735 668
Original Cost	77 370 867	100 191 957	703 771 776	77 811 002	1 893 599	81 696 468	1 042 735 668
Accumulated Impairments	-	-	(19 803)	-	-	(615 534)	(635 337)
Original Cost	-	-	(19 803)	-	-	(615 534)	(635 337)
Accumulated Depreciation	-	(10 228 300)	(140 114 167)	(9 137 133)	(1 867 230)	(37 526 022)	(198 872 851)
Original Cost	-	(10 228 300)	(140 114 167)	(9 137 133)	(1 867 230)	(37 526 022)	(198 872 851)

8.1.1 Work in Progress included in the Carrying Value of Property Plant & Equipment

R

Buildings	558 835
Community	418 217
Infrastructure	58 857 910
Other	554 803

8.1.2 Expenditure incurred for repairs and maintaining property plant and equipment

R

18 886 160

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

PROPERTY, PLANT AND EQUIPMENT CONTINUED

8.2 30 JUNE 2017

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2016	78 203 971	93 542 654	441 237 727	68 455 787	995 478	30 219 468	712 655 085
Cost	78 203 971	101 779 105	553 087 050	74 148 394	1 867 230	57 846 635	866 932 385
Original Cost	78 203 971	101 779 105	553 087 050	74 148 394	1 867 230	57 846 635	866 932 385
Accumulated Impairments	-	-	(19 801)	-	-	(551 858)	(571 659)
Original Cost	-	-	(19 801)	-	-	(551 858)	(571 659)
Accumulated Depreciation	-	(8 236 451)	(111 829 523)	(5 692 607)	(871 751)	(27 075 309)	(153 705 642)
Original Cost	-	(8 236 451)	(111 829 523)	(5 692 607)	(871 751)	(27 075 309)	(153 705 642)
Acquisitions	-	178 018	69 320 352	949 414	26 370	11 367 606	81 841 760
Capital under Construction	-	135 929	28 636 636	494 137	-	4 798 552	34 065 254
Transfers	-	(816 239)	-	1 395 719	-	(593 980)	(14 500)
Cost	-	(816 239)	-	1 395 719	-	(593 980)	(14 500)
Accumulated Depreciation	-	-	-	-	-	-	-
Revaluations							
Impairments	-	-	(2)	-	-	(80 677)	(80 679)
Impairments	-	-	(2)	-	-	(80 677)	(80 679)
Depreciation	-	(1 003 028)	(12 522 349)	(1 592 123)	(391 955)	(4 683 681)	(20 193 135)
Normal Depreciation for the year	-	(1 003 028)	(12 522 349)	(1 592 123)	(391 955)	(4 683 681)	(20 193 135)
Carrying value of disposals	(263 104)	-	-	-	-	-	(263 104)
Cost	(263 104)	-	-	-	-	-	(263 104)
Accumulated Depreciation	-	-	-	-	-	-	-
Carrying value at 30 June 2017	77 940 867	92 037 334	526 672 364	69 702 934	629 893	41 027 288	808 010 680
Cost	77 940 867	101 276 813	651 044 038	76 987 664	1 893 599	73 418 813	982 561 795
Original Cost	77 940 867	101 276 813	651 044 038	76 987 664	1 893 599	73 418 813	982 561 795
Accumulated Impairments	-	-	(19 803)	-	-	(632 535)	(652 338)
Original Cost	-	-	(19 803)	-	-	(632 535)	(652 338)
Accumulated Depreciation	-	(9 239 479)	(124 351 872)	(7 284 730)	(1 263 706)	(31 758 990)	(173 898 777)
Original Cost	-	(9 239 479)	(124 351 872)	(7 284 730)	(1 263 706)	(31 758 990)	(173 898 777)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9	INTANGIBLE ASSETS	2018 R	2017 R
	Computer Software		
	Net Carrying amount at 1 July	2 506 094	2 645 647
	Cost	4 498 498	4 483 998
	Accumulated Amortisation	(1 992 404)	(1 838 351)
	Acquisitions	187 741	-
	Amortisation	(344 429)	(154 053)
	Transfers	300 000	14 500
	Net Carrying amount at 30 June	2 649 406	2 506 094
	Cost	4 986 239	4 498 498
	Accumulated Amortisation	(2 336 833)	(1 992 404)
	Accumulated Impairment	-	-
10	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	47 880 986	48 506 152
	Cost	50 578 329	50 888 329
	Accumulated Depreciation	(2 697 343)	(2 382 177)
	Correction	-	(310 000)
	Depreciation for the year	(281 101)	(315 166)
	Carrying value of disposals	(1 940 063)	-
	Cost	(2 104 000)	-
	Accumulated Depreciation	163 937	-
	Net Carrying amount at 30 June	45 659 822	47 880 986
	Cost	48 474 329	50 578 329
	Accumulated Depreciation	(2 814 507)	(2 697 343)
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	<u>4 551 858</u>	<u>4 338 437</u>
	Operating expenditure incurred on properties generating revenue	<u>5 136 072</u>	<u>3 507 830</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
11	HERITAGE ASSETS		
	Net Carrying amount at 1 July	550 000	550 000
	Cost	550 000	550 000
	Net Carrying amount at 30 June	550 000	550 000
	Cost	550 000	550 000
	Heritage assets are carried at its cost less any accumulated impairment losses		
	None of the heritage assets are pledge as sekurity.		
12	OPERATING LEASE ARRANGEMENTS		
	Operating Lease		
	Opening Balance	9 948	12 326
	Movement during the year	(4 853)	(2 379)
	Balance on 30 June	5 095	9 947
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	-	43 242
	1 to 5 Years	-	30 688
	Total Operating Lease Arrangements	-	73 929
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for periods ranging until 2019.		
13	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July	16 075 548	26 818 121
	Cost	45 710 691	50 973 071
	Accumulated Depreciation	(29 635 143)	(24 154 950)
	Adjustment for the period	(763 764)	(5 262 380)
	Depreciation for the year	(2 206 755)	(5 480 193)
	Net Carrying amount at 30 June	13 105 029	16 075 548
	Cost	44 946 927	45 710 691
	Accumulated Depreciation	(31 841 898)	(29 635 143)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14		2018 R	2017 R
	TRADE AND OTHER PAYABLE EXCHANGE TRANSACTIONS		
	Payables and Accruals	7 391 123	11 098 238
	Control, Clearing and Interface	387 869	210 050
	Electricity Bulk Purchase	23 570 223	23 741 358
	Accrued Interest	79 700	160 004
	Unallocated Deposits	2 202 946	307 120
	Retentions	3 679 932	4 110 624
	Agency Fees Payable	63 825	1 538
	Advance Payments	7 512 717	5 030 719
	Dividends Declared not Paid	-	31 636
	Total Trade Payables	44 888 335	44 691 287

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

15	CONSUMER DEPOSITS		
	Water and Electricity	4 330 907	3 666 150
	Rental Properties	302 290	250 178
	Building Plans	1 783 574	1 479 093
	Total Consumer Deposits	6 416 771	5 395 421

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16	CURRENT EMPLOYEE BENEFITS	2018 R	2017 R
	Current Portion of Post Retirement Benefits - Note 20	2 085 183	1 755 406
	Current Portion of Long-Service Provisions - Note 20	893 152	626 884
	Current Portion of Ex-gratia Pension Provisions - Note 20	24 798	90 438
	Staff Leave	11 989 926	10 742 245
	Performance Bonuses	801 374	815 657
	Staff Bonuses	3 901 372	3 416 197
	Total Current Employee Benefits	19 695 805	17 446 827

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	10 742 245	10 442 989
Contribution to current portion	2 052 699	1 093 156
Expenditure incurred	(805 018)	(793 899)
Balance at end of year	11 989 926	10 742 246

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

CURRENT EMPLOYEE BENEFITS CONTINUED

Performance Bonuses

Balance at beginning of year	815 657	773 825
Contribution to current portion	801 372	815 657
Expenditure incurred	(815 655)	(773 825)
Balance at end of year	801 374	815 657

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

Staff Bonuses

Balance at beginning of year	3 416 197	3 201 346
Contribution to current portion	6 977 450	5 868 950
Expenditure incurred	(6 492 275)	(5 654 099)
Balance at end of year	3 901 372	3 416 197

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
17	UNSPENT PUBLIC CONTRIBUTIONS		
	China - Water meters	32 135	49 904
	Essen Belgium	1 833 369	925 332
	Total Unspent Public Contributions	<u>1 865 504</u>	<u>975 236</u>
	Reconciliation of public contributions		
	<u>China - Water meters</u>		
	Opening balance	49 904	84 306
	Conditions met - Transferred to revenue	(17 769)	(34 402)
	Closing balance	<u>32 135</u>	<u>49 904</u>
	3580 Water meters were donated by the Chinese Government to the Witzenberg Municipality. The purpose of the donation is to provide water connections to poor households.		
	<u>Essen Belgium</u>		
	Opening balance	925 332	1 198 591
	Received	1 185 716	333 962
	Conditions met - Transferred to revenue	(277 679)	(607 221)
	Closing balance	<u>1 833 369</u>	<u>925 332</u>
	A twinning agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.		
18	BORROWINGS		
	Annuity and Bullet Loans	7 481 354	10 638 893
	Finance Lease Liability	-	660 113
		<u>7 481 354</u>	<u>11 299 006</u>
	Transferred to Current Liabilities	<u>(2 276 380)</u>	<u>(3 717 251)</u>
	Annuity and Bullet Loans	(2 276 380)	(3 293 689)
	Finance Lease Liability	-	(423 562)
		<u>5 204 974</u>	<u>7 581 755</u>
	Unamortised charges on loans	<u>(12 686)</u>	<u>(78 471)</u>
	Opening Balance	(78 471)	(694 280)
	Adjustment for the period	65 785	615 809
	Total borrowings - At amortised cost using the effective interest rate method	<u>5 192 288</u>	<u>7 503 284</u>
	Refer below for maturity dates of long term liabilities:		
	The obligations under annuity loans are scheduled below:		
	Amounts payable under annuity loans:		Minimum annuity payments
	Payable within one year	2 870 103	4 287 313
	Payable within two to five years	6 068 336	7 639 910
	Payable after five years	-	1 091 920
		<u>8 938 439</u>	<u>13 019 143</u>
	<u>Less:</u> Future finance obligations	(1 457 085)	(2 380 250)
	Present value of annuity obligations	<u>7 481 354</u>	<u>10 638 893</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
BORROWINGS CONTINUED		
Annuity loans at amortised cost is calculated at an average 12.47% interest rate, with a final maturity date of 30 June 2023.		
The obligations under finance leases are scheduled below:		
		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	-	469 308
	-	469 308
Less: Future finance obligations		(23 803)
Present value of lease obligations	-	445 505
	-	-
19 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	71 466 568	70 249 120
Total Non-current Provisions	71 466 568	70 249 120
The provision includes the rehabilitation cost of landfill sites in Ceres, Prince Alfred's Hamlet, Op-die-Berg, Tulbagh and Wolseley. The expected closing dates of the sites are:		
Ceres - 2010 (The site is longer in operation)		
Prince Alfred's Hamlet - 2025		
Op-die- Berg - 2024		
Tulbagh - 2022		
Wolseley - 2024		
<u>Landfill Sites</u>		
Opening Balance	70 249 120	68 641 115
Increases	(5 948 443)	-
Unwinding of Interest	7 165 891	6 870 384
Adjustment for the period	-	(5 262 379)
Total provision 30 June	71 466 568	70 249 120
Less: Transfer of Current Portion to Current Provisions - Note	-	-
Balance 30 June	71 466 568	70 249 120
Discount rate	10.20%	10.50%
Inflation Rate	4.60%	5.10%
20 EMPLOYEE BENEFITS		
Post-employment Health Care Benefits	76 218 929	70 619 811
Long Service Awards	4 991 866	4 702 173
Ex-Gratia Pension Benefits	47 075	63 705
Total Non-current Employee Benefit Liabilities	81 257 870	75 385 689
<u>Post-employment Health Care Benefits</u>		
Balance 1 July	72 375 217	76 001 000
Contribution for the year	3 874 262	4 031 000
Interest Cost	7 018 076	7 659 000
Expenditure for the year	(2 144 480)	(1 964 623)
Actuarial Loss/(Gain)	(2 818 963)	(13 351 160)
Total post retirement Health Care benefits 30 June	78 304 112	72 375 217
Less: Transfer of Current Portion - Note 16	(2 085 183)	(1 755 406)
Balance 30 June	76 218 929	70 619 811

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

EMPLOYEE BENEFITS CONTINUED	2018 R	2017 R
<u>Long Service Awards</u>		
Balance 1 July	5 329 057	5 601 000
Contribution for the year	410 958	447 000
Interest Cost	417 576	541 000
Expenditure for the year	(579 077)	(602 928)
Reductions (without Outflow)	306 504	(657 015)
Total long service 30 June	5 885 018	5 329 057
Less: Transfer of Current Portion - Note 16	(893 152)	(626 884)
Balance 30 June	4 991 866	4 702 173

<u>Ex-Gratia Pensions</u>		
Balance 1 July	154 143	244 000
Contribution for the year	-	-
Interest Cost	8 907	18 000
Expenditure for the year	(49 487)	(1 529)
Actuarial Loss/(Gain)	(41 690)	(106 328)
Total Ex-Gratia 30 June	71 873	154 143
Less: Transfer of Current Portion - Note 16	(24 798)	(90 438)
Balance 30 June	47 075	63 705

<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	77 858 417	81 846 000
Contribution for the year	4 285 220	4 478 000
Interest cost	7 444 559	8 218 000
Expenditure for the year	(2 773 044)	(2 569 080)
Actuarial Loss/(Gain)	(2 554 149)	(14 114 503)
Total employee benefits 30 June	84 261 003	77 858 417
Less: Transfer of Current Portion - Note 16	(3 003 133)	(2 472 728)
Balance 30 June	81 257 870	75 385 689

20.1 Post-employment Health Care Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	248	234
Continuation members (e.g. Retirees, widows, orphans)	56	53
Total Members	304	287

The liability in respect of past service has been estimated to be as follows:

In-service members	52 940 818	50 585 753
Continuation members	25 363 294	21 789 464
Total Liability	78 304 112	72 375 217

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
In-service members	53 302 000	44 877 000	46 097 000
Continuation members	22 699 000	26 563 000	22 258 000
Total Liability	76 001 000	71 440 000	68 355 000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Keyhealth.
LA Health
Hosmed and
Samwumed.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

EMPLOYEE BENEFITS CONTINUED

2018

2017

Key actuarial assumptions used:

i) Rate of interest

Discount rate	9.66%	9.81%
Health Care Cost Inflation Rate	7.44%	8.11%
Net Effective Discount Rate	2.07%	1.57%

ii) Mortality rates

The PA 90 ultimate table was used by the actuaries.

iii) Normal retirement age

The average retirement age for all active employees was assumed to be 58 years. This assumption implicitly allows for ill-health and early retirements.

The amounts recognised in the Statement of Financial Position are as follows:

2018

2017

R

R

Present value of fund obligations

78 304 112

72 375 217

Net liability/(asset)

78 304 112

72 375 217

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

72 375 217

76 001 000

Total expenses

8 747 858

9 725 377

Current service cost

3 874 262

4 031 000

Interest Cost

7 018 076

7 659 000

Benefits Paid

(2 144 480)

(1 964 623)

Actuarial (gains)/losses

(2 818 963)

(13 351 160)

Present value of fund obligation at the end of the year

78 304 112

72 375 217

Less: Transfer of Current Portion - Note 16

(2 085 183)

(1 755 406)

Balance 30 June

76 218 929

70 619 811

Sensitivity Analysis on the Accrued Liability at 30 June 2018

		In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	
Assumption					
Central Assumptions		52 941	25 363	78 304	
The effect of movements in the assumptions are as follows:					
Assumption	Change	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	% change
Central assumptions		52 941	25 363	78 304	
Health care inflation	1%	62 937	27 796	90 733	16
Health care inflation	-1%	44 910	23 242	68 152	-13
Mortality rate	20%	50 043	23 539	73 582	-6
Mortality rate	-20%	56 497	27 660	84 157	7

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

EMPLOYEE BENEFITS CONTINUED

2018

2017

20.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

506	491
-----	-----

i) Rate of interest

Discount rate	8.42%	8.32%
General Salary Inflation (long-term)	6.07%	6.13%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.22%	2.05%

**2018
R**

**2017
R**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

5 885 018	5 329 057
-----------	-----------

Net liability

5 885 018	5 329 057
------------------	------------------

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

**2016
R**

**2015
R**

**2014
R**

Net liability

5 601 000

5 648 000

5 139 000

**2018
R**

**2017
R**

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

5 329 057	5 601 000
-----------	-----------

Total expenses

249 457	385 072
---------	---------

Current service cost

410 958	447 000
---------	---------

Interest Cost

417 576	541 000
---------	---------

Benefits Paid

(579 077)	(602 928)
-----------	-----------

Actuarial (gains)/losses

306 504	(657 015)
---------	-----------

Present value of fund obligation at the end of the year

5 885 018	5 329 057
-----------	-----------

Less: Transfer of Current Portion - Note 16

(893 152)	(626 884)
-----------	-----------

Balance 30 June

4 991 866

4 702 173

Sensitivity Analysis on the Accrued Liability at 30 June 2018

Assumption

Change

Liability (R'000)

% change

Central assumptions

5 885

General salary inflation

1.00%

6 193

5%

General salary inflation

-1.00%

5 602

-5%

Withdrawal rates

20%

5 445

-7%

Withdrawal rates

-20%

6 100

4%

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

EMPLOYEE BENEFITS CONTINUED

2018

2017

20.3 Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefits plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex-Gratia Pension Benefits.

20

30

i) Rate of interest

Discount rate

8.32%

8.37%

**2018
R**

**2017
R**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

71 873

154 143

Net liability

71 873

154 143

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

**2016
R**

**2015
R**

**2014
R**

Net liability

330 000

244 001

318 000

EMPLOYEE BENEFITS CONTINUED

**2018
R**

**2017
R**

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

154 143

244 000

Total expenses

(40 580)

16 471

Current service cost

-

-

Interest Cost

8 907

18 000

Benefits Paid

(49 487)

(1 529)

Actuarial (gains)/losses

(41 690)

(106 328)

Present value of fund obligation at the end of the year

71 873

154 143

Less: Transfer of Current Portion - Note

(24 798)

(90 438)

Balance 30 June

47 075

63 705

Sensitivity Analysis on the Accrued Liability at 30 June 2018

Assumption

Change

**Total liability
(R'000)**

% change

Central assumptions

72

Withdrawal rates

+20%

71

-1.0%

Withdrawal rates

-50%

73

1.0%

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

EMPLOYEE BENEFITS CONTINUED

20.4 Retirement funds

2018
R

2017
R

CAPE JOINT PENSION FUND

The funding level of the CJPF (Pensions Account section) was 105.1% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The Fund is in a sound financial condition at the valuation date. As at the 30 June 2013 valuation date (in totality) the members contributed at a rate of 9% of pensionable salaries and (in totality) the Local Authorities contributed at a rate of 18% of pensionable salaries.

Contributions paid recognised in the Statement of Financial Performance

417 609

402 234

SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND

The funding level at the most recent actuarial valuation (1 July 2012) of 100% was calculated on a Discounted Cash Flow (DCF) basis. The funding level has improved since the previous valuation. The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2012 be maintained at 15.26%. This includes a margin of 3.92% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs.

Contributions paid recognised in the Statement of Financial Performance

538 053

475 570

DEFINED CONTRIBUTION FUNDS

Council contributes to: the Government Employees Pension Fund; Municipal Council Pension Fund; National Fund for Municipal Workers (IMATU); and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Cape Joint Retirement Fund

17 847 981

15 995 618

Municipal Councillors Pension Fund

350 814

257 362

National Fund For Municipal Employees (IMATU)

157 852

150 901

SAMWU National Provident Fund

3 948 150

3 983 521

22 304 798

20 387 403

21

NET ASSET RESERVES

Capital Replacement Reserve

10 354 788

10 354 788

Total Net Asset Reserves

10 354 788

10 354 788

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22

PROPERTY RATES

Actual

Rates Levied

	2018 R	2017 R
	70 444 618	66 423 288
Business	12 159 802	10 337 309
Building Clauses	123 633	115 580
Rural	15 353 398	16 073 457
Industrial Properties	8 448 403	7 813 561
Residential Properties	24 275 379	23 347 919
State-owned Properties	7 650 340	6 823 916
Vacant Land	2 417 360	1 896 425
Public Service Infrastructure	16 303	15 121
Less: Revenue Forgone	(6 609 239)	(6 774 257)
Total Assessment Rates	63 835 379	59 649 031

Valuations - 1 JULY

Land and Buildings

Residential Property	3 015 206 263	2 683 792 990
Commercial Property	791 141 000	784 723 000
Industrial Property	451 895 000	446 895 000
Informal Property	32 759 000	32 801 000
Agricultural Purposes	5 215 121 100	5 197 084 300
State - National/ Provincial Services	403 270 600	406 743 600
Public Service Infrastructure	6 575 000	6 575 000
Vacant Property	180 766 353	191 379 900
Total Valuation	10 096 734 316	9 749 994 790

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates:

Residential	0.991c/R	0.918c/R
Commercial	1.883c/R	1.744c/R
Industrial	1.883c/R	1.744c/R
Bona Fide Agricultural	0.248c/R	0.230c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:
Residential - The first R100 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

23 TRANSFERS AND SUBSIDIES	2018 R	2017 R
Unconditional Grants	70 412 000	59 734 000
Equitable Share	70 412 000	59 734 000
Conditional Grants	58 036 511	81 551 714
Grants and donations	58 036 511	81 551 714
Subsidies	-	-
Total Government Grants and Subsidies	128 448 511	141 285 714
 Government Grants and Subsidies - Capital	 34 481 262	 38 768 028
Government Grants and Subsidies - Operating	93 967 249	102 517 686
	128 448 511	141 285 714

Please refer to appendix D for more detailed disclosure of Government Grants and Subsidies.

The Municipality does not expect any significant changes to the level of grants.

23.1 Equitable share

Opening balance	-	-
Grants received	70 412 000	59 325 000
Conditions met - Operating	(70 412 000)	(59 734 000)
Write off / Transfers	-	409 000
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.2 Local Government Financial Management Grant (FMG)

Opening balance	(261 315)	-
Grants received	1 550 000	1 475 000
Conditions met - Operating	(1 259 695)	(1 337 660)
Conditions met - Capital	(11 243)	(398 655)
Conditions still to be met/(Grant expenditure to be recovered)	17 747	(261 315)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.3 Expanded Public Works Programme

Opening balance	(14 044)	(12 375)
Grants received	1 485 000	1 336 000
Conditions met - Operating	(1 500 315)	(1 337 669)
Conditions still to be met/(Grant expenditure to be recovered)	(29 359)	(14 044)

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED		2018 R	2017 R
23.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	(90 419)	3 399 040
	Grants received	22 739 000	21 389 000
	Conditions met - Operating	-	(237 600)
	Conditions met - Capital	(22 744 251)	(24 640 859)
	Conditions still to be met/(Grant expenditure to be recovered)	(95 670)	(90 419)
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
23.5	Housing Grants		
	Opening balance	566 635	1 478 410
	Grants received	30 567 514	31 706 989
	Conditions met - Operating	(12 643 351)	(24 264 670)
	Conditions met - Capital	(15 195 126)	(8 354 094)
	Conditions still to be met/(Grant expenditure to be recovered)	3 295 672	566 635
	Housing grants was utilised for the development of erven and the erection of top structures.		
23.6	Integrated National Electrification Grant		
	Opening balance	(801 458)	507 548
	Grants received	-	5 000 000
	Conditions met - Capital	-	(5 900 006)
	Write off / Transfers	-	(409 000)
	Conditions still to be met/(Grant expenditure to be recovered)	(801 458)	(801 458)
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
23.7	Library services		
	Opening balance	(143)	1 416 673
	Grants received	8 050 000	7 975 000
	Conditions met - Operating	(8 049 857)	(8 764 144)
	Conditions met - Capital	-	(627 672)
	Conditions still to be met/(Grant expenditure to be recovered)	0	(143)
23.8	Other Grants		
	Opening balance	939 232	3 605 544
	Grants received	1 724 000	3 010 000
	Conditions met - Operating	(1 141 851)	(1 436 408)
	Conditions met - Capital	(357 901)	(4 239 904)
	Write off / Transfers	(180 000)	-
	Conditions still to be met/(Grant expenditure to be recovered)	983 480	939 232
	Various grants were received from other spheres of government of which the material ones are: Main Roads Grant R 120 000, Drought Relieve R 396 833 etc.		
23.9	Total Grants		
	Opening balance	338 488	10 394 840
	Grants received	136 527 514	131 216 989
	Conditions met - Operating	(95 007 069)	(97 112 151)
	Conditions met - Capital	(38 308 521)	(44 161 190)
	Write off / Transfers	(180 000)	-
	Conditions still to be met/(Grant expenditure to be recovered)	3 370 412	338 488
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	5 750 092	2 601 158
	Unpaid Conditional Government Grants and Receipts	(2 379 679)	(2 262 670)
		3 370 413	338 488

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24	SERVICE CHARGES	2018 R	2017 R
	Electricity	210 725 319	217 857 368
	Water	48 815 990	36 642 847
	Refuse removal	27 968 180	23 944 769
	Sewerage and Sanitation Charges	32 648 952	23 254 948
	Bulk service levies	-	56 825
		<u>320 158 441</u>	<u>301 756 757</u>
	Less: Revenue Forgone	(13 988 869)	(15 135 568)
	Total Service Charges	<u>306 169 572</u>	<u>286 621 189</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.			
25	Operational Revenue		
	Insurance Refund	4 011 106	595 701
	Collection Charges	89 850	59 058
	Breakages and Losses Recovered	32 459	31 666
	Merchandising, Jobbing and Contracts	86 031	27 765
	Other	357 007	45 463
	Total Operational Revenue	<u>4 576 453</u>	<u>759 653</u>
26	Sales of Goods and Rendering of services		
	Application Fees for Land Usage	48 234	70 937
	Building Plan Approval	690 018	942 761
	Camping Fees	2 252 863	2 247 922
	Cemetery and Burial	245 871	245 842
	Entrance Fees	775 814	538 710
	Other	1 199 750	2 537 577
	Total Sales of Goods and Rendering of services	<u>5 212 551</u>	<u>6 583 749</u>
27	EMPLOYEE RELATED COSTS		
	Salaries and Wages	97 461 559	91 132 079
	Bargaining Council Levy	52 577	50 473
	Bonuses	7 812 712	7 419 392
	Contributions For Pensions	13 786 586	13 149 878
	Contributions For Medical Aids	6 752 446	5 952 737
	Contributions For UIF	796 059	754 416
	Group Life Insurance	1 463 719	1 342 260
	Housing Benefits and Allowances	1 445 756	1 366 522
	Leave Reserve	1 936 482	1 093 155
	Long service awards	(2 093 514)	447 000
	Overtime	10 227 170	8 642 117
	Post Employment Health Care Benefits	7 103 565	4 031 000
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	6 261 300	5 270 369
		<u>153 006 417</u>	<u>140 651 398</u>
	Less: Employee Cost allocated elsewhere	-	(101 754)
	Total Employee Related Costs	<u>153 006 417</u>	<u>140 549 644</u>

KEY MANAGEMENT PERSONNEL

The Municipal Manager and Directors are appointed on fixed term contracts.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

EMPLOYEE RELATED COSTS CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

	2018 R	2017 R
Annual Remuneration	908 826	1 040 835
Performance Bonuses	143 098	189 663
Travelling Allowance	72 000	108 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	242 937	262 671
Travelling Expenses	36 000	23 985
Leave encashment	-	119 217
Other Allowance	50 240	5 617
Total	1 453 101	1 749 988

Remuneration of the Director Technical Services

Annual Remuneration	609 743	731 737
Performance Bonuses	118 043	146 041
Travelling Allowance	431 941	373 998
Contributions to UIF, Medical, Pension Funds and Bargaining Council	198	3 569
Travelling Expenses	-	30 360
Leave encashment	44 229	-
Other Allowance	34 481	-
Total	1 238 636	1 285 705

Remuneration of the Director Corporate Services

Annual Remuneration	823 852	755 456
Performance Bonuses	131 327	146 041
Travelling Allowance	193 942	188 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	150 883
Travelling Expenses	18 636	41 610
Leave encashment	-	97 305
Other Allowance	47 501	4 592
Total	1 215 258	1 383 887

Remuneration of the Director Financial Services

Annual Remuneration	915 496	765 607
Performance Bonuses	131 327	146 041
Travelling Allowance	70 325	150 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	194 007	193 698
Travelling Expenses	2 926	36 509
Leave encashment	70 564	-
Other Allowance	19 200	19 200
Total	1 403 845	1 311 055

Remuneration of the Director Community Services

Annual Remuneration	853 992	818 049
Performance Bonuses	118 043	146 041
Travelling Allowance	90 000	90 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	212 394	201 256
Leave encashment	70 564	-
Travelling Expenses	4 932	7 013
Total	1 349 925	1 262 359

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REMUNERATION OF COUNCILLORS

Executive Mayor	604 288	780 041
Deputy Mayor	557 428	578 536
Speaker	556 871	578 776
Mayoral Committee Members	2 063 951	2 101 805
Ordinary Councillors	4 232 338	3 850 408
Pension fund contributions	1 018 053	835 872
Medical aid contributions	137 142	54 137
Total Councillors' Remuneration	9 170 071	8 779 575

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Executive Mayor, Speaker and all the Mayoral committee members are provided with secretarial support and an office at the cost of the Council.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		R	R
29	IMPAIRMENT		
	Long term Receivables - Note	-	163 924
	Receivables from exchange transactions - Note 3	24 346 623	18 078 434
	Receivables from non-exchange transactions - Note 4	15 224 523	18 556 421
	Total Contribution to Debt Impairment	39 571 146	36 798 779
30	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	25 665 569	20 193 134
	Investment Property	281 101	315 166
	Intangible Assets	344 429	154 053
	Capitalised restoration cost	2 206 755	5 480 193
	Total Depreciation and Amortisation	28 497 854	26 142 546
31	(IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT		
	Property Plant & Equipment	(20 192)	(137 679)
	Total Impairments	(20 192)	(137 679)
32	INTEREST PAID		
	Borrowing	1 014 902	1 868 713
	Finance leases	50 628	-
	Ex-Gratia Pension	-	18 000
	Post Employment Health Care Benefits	7 142 429	7 659 000
	Long service awards	-	541 000
	Interest costs non-current Provision	7 165 891	6 870 384
	Other	-	615 809
	Total finance charges	15 373 850	17 572 906
33	BULK PURCHASES		
	Electricity	179 705 387	181 325 287
	Total Bulk Purchases	179 705 387	181 325 287
34	TRANSFERS AND SUBSIDIES: OPERATIONAL EXPENDITURE		
	Sport	104 258	205 850
	Public Schools	130 000	58 000
	Bursaries (Non-Employee)	252 353	-
	Housing Support	12 643 351	24 264 670
	Council	23 000	353 588
	Tourism	767 230	733 230
	Total Transfers and Subsidies: Operational Expenditure	13 920 192	25 615 338

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35	OPERATIONAL COST	2018 R	2017 R
	Advertising, Publicity and Marketing	815 528	372 832
	Bank Charges, Facility and Card Fees	796 924	685 658
	Commission	1 872 305	1 695 574
	Communication	2 878 905	2 709 977
	External Audit Fees	2 727 865	2 489 273
	External Computer Service	2 324 256	1 174 475
	Hire Charges	4 825 611	4 315 003
	Indigent Relief	402 821	726 431
	Insurance Underwriting	1 927 695	1 301 537
	Learnerships and Internships	456 253	1 277 980
	Levies Paid - Water Resource Management Charges	483 781	300 064
	Licences	238 166	255 540
	Printing, Publications and Books	332 842	716 282
	Professional Bodies, Membership and Subscription	1 676 583	1 362 496
	Remuneration to Ward Committee	683 000	347 000
	Signage	632 219	-
	Transport Provided as Part of Departmental Activities	199 235	89 871
	Travel and Subsistence	1 498 989	1 515 301
	Uniform and Protective Clothing	1 096 213	1 282 513
	Wet Fuel	5 148 845	4 564 474
	Other	534 321	943 397
	Total Operational cost	31 552 357	28 125 678

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

36	CORRECTION OF ERROR IN TERMS OF GRAP 3	2018	2017
		R	R
36.1	Trade and Other Payable Exchange Transactions		
	Balance previously reported		44 015 252
	Correction of VAT on retentions - Note 36.5		900 072
	Correction of additions to PPE - Note 36.2		-48 298
	Correction of Year end creditors - Note		295 938
	Deposits Other moved from Payables to Deposits - Note 36.7		-1 729 271
	Balance now reported		43 433 692
36.2	Property, Plant and Equipment		
	Balance previously reported		808 058 979
	Correction of additions to PPE - Note 36.1		(48 298)
	Balance now reported		808 010 681
36.3	Investment property		
	Balance previously reported		47 758 986
	Sale of land cancelled - Note 36.4		122 000
	Balance now reported		47 880 986
36.4	Trade and other Receivables from Exchange Transactions		
	Balance previously reported		48 837 181
	Sale of land cancelled - Note 36.3		(125 545)
	Prepayment of Levies moved from Receivables: Non-Exchange to Exchange - Note 36.6		1 555 975
	Balance now reported		50 267 611
36.5	VAT Receivable (net)		
	Balance previously reported		4 964 535
	Correction of VAT on retentions - Note 36.1		900 072
	Correction of Uniforms procured - Note 36.1		(54)
	Balance now reported		5 864 553
36.6	Receivables from non-exchange transactions		
	Balance previously reported		9 049 425
	Correction of Fines Revenue - Note 36.10		(318 850)
	Correction of impairment of Fines Receivable - Note 36.11		910 694
	Prepayment of Levies moved from Receivables: Non-Exchange to Exchange - Note 36.4		(1 555 975)
	Balance now reported		8 085 294
36.7	Consumer Deposits		
	Balance previously reported		3 666 150
	Deposits Other moved from Payables to Deposits - Note 36.1		1 729 271
	Balance now reported		5 395 421
36.8	General Expenditure		
	Balance previously reported		43 464 693
	Correction of Year end creditors - Note 36.1		295 992
	Reclassification in terms of MSCOA refer to Schedule of Adjustments	-	43 760 685
	Balance now reported		(0)
36.9	Unspent Conditional Government Grants and Receipts		
	Balance previously reported		3 690 206
	Recognition of Grant Revenue - Note 36.11		-1 089 048
	Balance now reported		2 601 158
36.10	Employee related costs		
	Balance previously reported		133 332 562
	Correction of Year end creditors - Note 36.1		1 257 596
	Reclassification in terms of MSCOA refer to Schedule of Adjustments		5 959 487
	Balance now reported		140 549 644
36.11	Accumulated Surplus as at 30 June 2017		
	Balance previously reported		788 750 195
	Sale of land cancelled - Note 36.3		(3 545)
	Recognition of Grant Revenue - Note 36.9		1 089 048
	Correction of Fines Revenue - Note 36.6		(318 850)
	Correction of impairment of Fines Receivable - Note 36.6		910 694
	Correction of Year end creditors - Note 36.1		-1 553 586
	Balance now reported		788 873 956

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

37	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS	2018 R	2017 R
	Surplus/(Deficit) for the year	48 403 932	97 439 487
	<u>Adjustments for:</u>		
	Depreciation	28 153 425	25 988 493
	Amortisation of Intangible Assets	344 429	154 053
	Gain on disposal of property, plant and equipment	1 077 254	(231 843)
	Loss on disposal of property, plant and equipment	-	-
	Gain on Adjustment of Provision	(5 184 679)	-
	Unamortised Discount on Loans	65 785	615 809
	Debt Impairment	39 571 146	37 709 473
	Debt Impairment - Long term receivables	-	(54 112 224)
	Stock Adjustments	274	-
	Contribution from/to provisions	7 165 891	6 870 384
	Contribution from/to employee benefits	10 675 307	10 682 860
	Actuarial Gain	(2 554 149)	(14 114 503)
	Donated assets included in Public Contributions	-	-
	Impairment written off	(20 192)	137 679
	Operating lease income accrued	4 853	2 379
	Operating Surplus/(Deficit) before changes in working capital	127 703 277	111 142 047
	Changes in working capital	(43 707 630)	(63 594 487)
	Increase/(Decrease) in Trade and Other Payables	197 048	(10 610 701)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	3 148 934	(6 657 007)
	Increase/(Decrease) in Unspent Public Contributions	890 268	(307 662)
	Increase/(Decrease) in Taxes	(1 477 074)	1 600 686
	(Increase)/Decrease in Inventory	(2 054 594)	(3 944 229)
	(Increase)/Decrease in Trade and other receivables	(44 295 203)	(41 425 279)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(117 009)	(2 250 295)
	Cash generated/(absorbed) by operations	83 995 647	47 547 560

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

38	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	2018 R	2017 R
	Cash and Cash Equivalents - Note 2	97 505 902	76 333 137
	Less:	97 505 902	76 333 137
	Unspent Committed Conditional Grants - Note 6	5 750 092	2 601 158
	VAT - Note 7	5 750 092	2 601 158
	Resources available for working capital requirements	91 755 810	73 731 979
	Allocated to:		
	Capital Replacement Reserve	10 354 788	10 354 788
	Employee Benefits Reserve	100 953 675	92 832 516
	Non-Current Provisions Reserve	71 466 568	70 249 120
	Shortfall in working capital requirements	(91 019 221)	(99 704 445)
39	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 18	7 481 354	11 299 006
	Used to finance property, plant and equipment - at cost	(7 481 354)	(11 299 006)
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.			
40	BUDGET COMPARISONS		
	Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance		
	Net surplus/deficit per the statement of financial performance	41 455 772	
	Adjusted for:		
	Fines, Penalties and Forfeits	a (7 333 648)	
	Government Grants and Subsidies - Operating	b 5 051 803	
	Service Charges	c 2 244 509	
	Rental from Fixed Assets	d 3 660 853	
	Interest earned - External investments	e (3 556 390)	
	Sales of Goods and Rendering of services	f (2 735 574)	
	Bad Debts Written Off	g (55 003 500)	
	Inventory Consumed	h (3 103 425)	
	Operational Cost	i (5 652 654)	
	Depreciation and Amortisation	j (16 847 611)	
	Bulk Purchases	k (3 200 958)	
	Contracted Services	l (5 467 985)	
	Transfers and Subsidies: Operational Expenditure	m (3 288 338)	
	Other Items	(2 936 777)	
	Net surplus/deficit per approved budget	(56 713 923)	
	a) Decrease due to better law enforcement application.		
	b) Expenditure not incurred for all grant funding received. Refer to Unspent portion of conditional grants.		
	c) Increase in indigent households and cost of free basic services.		
	d) Decrease in resort bookings mainly due to water restrictions implemented.		
	e) Investment period longer than initially anticipated as well as increase in funds available for investment purposes		
	f) Decrease in economic climate		
	g) Bad debts written off against provision.		
	h) Decrease in maintenance required in current year.		
	i) Decrease in economic climate		
	j) Depreciation less than expected due to slow capital spending		
	k) Bulk purchases less than expected.		
	l) Contracted Services less than budget due to effective contract management.		
	m) Expenditure not incurred for all grant funding received. Refer to Unspent portion of conditional grants.		

Please refer to the statement of comparison of budget and actual amounts for more information.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41	MATERIAL LOSSES	2018	2017
41.1	Water distribution losses		
	- Kilolitres purified	5 779 052	6 508 218
	- Kilolitres sold	4 745 794	5 248 496
	- Kilolitres lost during distribution	1 033 258	1 259 722
	- Percentage lost during distribution	17.88%	19.36%
	- Value of kilolitres lost during distribution	461 858	487 798
	- The value of kilolitres lost is based on the treatment cost of water.		
	The estimated consumption for public open spaces and informal houses are calculated on a conservative bases using baseline consumption estimations provided by the Department of Water Affairs. Water meters will be installed to measure the mentioned consumption in the future.		
41.2	Electricity distribution losses		
	- Units purchased (Kwh)	201 379 459	205 824 759
	- Units sold (Kwh)	181 544 559	185 188 502
	- Units lost during distribution (Kwh)	19 834 900	20 636 257
	- Percentage lost during distribution	9.85%	10.03%
	- Value of units lost during distribution (Kwh)	17 700 109	17 967 105
	The electricity losses are in line with the guideline of the National Energy Regulator of South Africa of 10%		
42	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT AC1	2018 R	2017 R
42.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	1 647 102	1 322 271
	Amount paid - current year	(1 647 102)	(1 322 271)
	Balance unpaid (included in Payables from exchange transactions)	-	-
42.2	<u>Audit fees - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	-
	Current year audit fee	2 874 314	2 595 941
	External Audit - Auditor-General	2 727 865	2 489 273
	Internal Audit	-	310
	Audit Committee	146 449	106 358
	Amount paid - current year	2 874 314	2 595 941
	Balance unpaid (included in Payables from exchange transactions)	-	-
42.3	<u>VAT - [MFMA 125 (1)(c)]</u>		
	Opening balance	7 962 606	6 207 995
	Amounts received - Output VAT - current year	(43 423 577)	(42 269 019)
	Amounts claimed - Input VAT - current year	42 746 301	47 754 452
	Amount paid - current year	6 493 633	2 477 173
	Amount - previous year	(7 962 606)	(6 207 995)
	Closing balance	5 816 358	7 962 606

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
42.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	20 232 870	17 645 541
Amount paid - current year	(20 232 870)	(17 645 541)
Balance unpaid (included in Payables from exchange transactions)	-	-

42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	34 302 259	31 618 501
Amount paid - current year	(34 302 259)	(31 618 501)
Balance unpaid (included in Payables from exchange transactions)	-	-

42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

During the financial year the following Councillors were outstanding for more than 90 days at any instance

Schuurman	4 066	4 029
Heradien	1 503	-
Abrahams	1 542	-
Swart	462	-
Lottering	-	7 820
Laban	31 767	26 855
Mgoboza	8 893	8 278
Phungula	-	24 235

Total Councillor Arrear Consumer Accounts	48 232	71 217
--	---------------	---------------

Councillors outstanding for more than 90 days as at 30 June 2018:

Schuurman	-	5 386
Abrahams	42	-
Lottering	-	16 226
Laban	30 786	26 855
Mgoboza	-	11 753
Phungula	-	24 235

Total Councillor Arrear Consumer Accounts at year end	30 828	84 455
--	---------------	---------------

Councillor Lotterings account was under dispute and therefore went over the 90 day threshold. The necessary corrections and payments were affected after year end.

42.7 Discloser in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36 (2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1) (a)

	Type of deviation				
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	487 231		-	11	6
August	681 960	6	-	13	5
September	269 549	2	-	7	4
October	871 119	9	-	16	5
November	453 688	6	-	10	1
December	422 087	5	-	7	4
January	2 246 008	6	-	5	
February	1 873 987	8	-	13	5
March	466 957	4	-	9	1
April	400 081	7	-	5	3
May	363 110	9	-	10	
June	1 045 966	6	-	17	8
	9 581 743	68	-	123	42

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**2018
R**

42.8 Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Williams Loodgieters	SR Williams	Spouse	R Williams	Dept. of Health: Nurse	R 190 478
Freddie Opperman	Freddie Opperman	Spouse	J Opperman	Western Cape Education Department: Teacher	R 30 700
T Square Framing (Arts and Events Skill Development) (Pty) Ltd	M van Rooi	Daughter	M Cornelius	Clinic - Supervisor	R 300
	T van Rooi	Son-in-law	C Cornelius	Hermanus Municipality - SCM Storekeeper	
SEW Plumbing	SE Williams	Spouse	L Williams	Dept. of Health: Admin Officer	R 14 950
		Son	R Williams	Dept. of Health: Nurse	
Regan Brown Attorneys	R Brown	Brother	E Johnson	City of Cape Town: Traffic Dept	R 377 775
		Brother	D Johnson	SAPS: Worcester	
O'Neill & Visser Attorneys	CW O'Neill	Spouse	H O'Neill	DOJ: Worcester	R 542 504
Vox Elektries	F Blom	Spouse	M Blom	SAPS: Officer	R 34 201
RJC Conservation Servises		Son	Prins	Chief Professional Nurse: Wolseley Clinic Dep of Health	R 39 000
Powerrec (Pty) Ltd	Vuyokazi Machimana	Mother	B Skonsana	Gauteng Department of Health: Nurse	R 45 433
JC Fencing	JJ Abrahamse	Father	K Abrahamse	Witzenberg Municipality: Traffic Officer	R 129 960
SJ Peres	SJ Peres	Brother-in-law	S Peres	Witzenberg Municipality: Accountant Expenditure	R 12 600
CJ Services	C Hofmeester	Cousin	F Hofmeester	Witzenberg Municipality: SCM Practitioner	R 5 875
AON (Pty) Ltd	N Mangyanga	Mother	Gladys Thivhafuni Ravele	Department of Education	R 601 586
		Father	George Takalani Ravele	Department of Transport	
WAB Print Media (Pty) Ltd	Wayne Brink	Spouse	Adelene Brink	Drakenstein Municipality	R 26 915
AJ Rankin Basson Sport BK	J Wessels	Spouse	MJL Wessels	Witzenberg Municipality Social Worker	R 49 863
JMIL Dienste	Johannes Louwrens	Brother	Ci Croudace	Msunduzi Municipality - Admin officer	R 345 704

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

43

COMMITMENTS

2018
R

2017
R

Commitments in respect of expenditure:

Approved and contracted for

Infrastructure
Community
Other Capital
Operational

106 003 797

41 981 817

53 127 802

12 973 889

-

19 960

-

107 660

52 875 996

28 880 308

Total

106 003 797

41 981 817

44

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% Increase in interest rates
0.5% Decrease in interest rates

450 141
(450 141)

325 518
(325 518)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 3 and 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 3 for balances included in receivables that were re-negotiated for the period under review.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

			2018 R	2017 R
FINANCIAL RISK MANAGEMENT CONTINUED				
Balances past due not impaired:				
	2018 %	2018 R	2017 %	2017 R
<u>Long Term Receivables</u>				
Rates & other	0.00%	-	0.00%	-
	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>	<u>-</u>
<u>Non-Exchange Receivables</u>				
Rates & other charges	0.00%	-	0.00%	-
	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>	<u>-</u>
<u>Exchange Receivables</u>				
Electricity	85.51%	31 092 890	79.64%	32 872 978
Water	17.18%	9 707 338	11.40%	7 706 292
Housing Rentals	17.27%	207 044	4.38%	64 999
Refuse	14.22%	4 154 663	9.02%	3 143 442
Sewerage	12.99%	3 326 681	9.38%	2 747 708
Other	30.03%	422 828	43.71%	1 111 757
Land Sales	100.00%	368 058	100.00%	1 064 460
	<u>32.29%</u>	<u>49 279 503</u>	<u>27.11%</u>	<u>48 711 636</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 3 and 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2018 %	2018 R	2017 %	2017 R
<u>Exchange Receivables</u>				
Electricity	5.20%	5 269 422	6.50%	8 405 164
Water	46.16%	46 799 475	46.29%	59 894 004
Housing Rentals	0.98%	991 814	1.10%	1 418 431
Refuse	24.71%	25 058 129	24.50%	31 693 823
Sewerage	21.98%	22 285 534	20.51%	26 542 618
Other	0.97%	984 981	1.11%	1 431 719
	<u>100.00%</u>	<u>101 389 355</u>	<u>100%</u>	<u>129 385 759</u>

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2018 %	2018 R	2017 %	2017 R
Residential	89.87%	91 119 676	89.94%	116 368 474
Commercial	3.95%	4 000 882	4.40%	5 694 503
Government	0.00%	48	0.99%	1 283 183
Other	6.18%	6 268 749	4.67%	6 039 599
	<u>100.00%</u>	<u>101 389 355</u>	<u>100.00%</u>	<u>129 385 759</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL RISK MANAGEMENT CONTINUED

	2018	2018	2017	2017
	%	R	%	R
Bad debts written off per debtor class:				
<u>Exchange Receivables</u>				
Electricity	3.11%	(1 782 058)	23.32%	(3 293)
Water	49.96%	(28 605 804)	38.19%	(5 393)
Housing Rentals	1.36%	(779 991)	0.84%	(118)
Refuse	26.28%	(15 047 780)	19.68%	(2 779)
Sewerage	18.21%	(10 428 873)	16.55%	(2 337)
Other	1.08%	(616 743)	1.44%	(203)
	<u>100.00%</u>	<u>(57 261 250)</u>	<u>100.00%</u>	<u>(14 123)</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2018	2017
	R	R
Long term receivables	-	7 495
Receivables from exchange transactions	51 223 415	49 894 912
Cash and Cash Equivalents	97 496 777	76 324 212
Unpaid conditional grants and subsidies	2 379 679	12 375
	<u>151 099 871</u>	<u>126 238 994</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2018				
Borrowing	2 870 103	6 068 336	-	-
Capital repayments	2 276 380.00	5 204 971.00	-	-
Interest	593 723.00	863 365.00	-	-
Trade and Other Payables	31 428 915	-	-	-
Unspent conditional government grants and receipts	5 750 092	-	-	-
	<u>40 049 110</u>	<u>6 068 336</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2017				
Borrowing	4 756 563	7 883 684	1 091 920	-
Capital repayments	3 717 251	6 541 394	1 040 360	-
Interest	1 039 312	1 342 290	51 560	-
Trade and Other Payables	38 984 533	-	-	-
Unspent conditional government grants and receipts	2 601 158	-	-	-
	<u>46 342 254</u>	<u>7 883 684</u>	<u>1 091 920</u>	<u>-</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

45	FINANCIAL INSTRUMENTS		2018 R	2017 R
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
45.1	<u>Financial Assets</u>	<u>Classification</u>		
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	51 223 415	50 267 611
	Other Receivables			
	Government Subsidies and Grants	Financial instruments at amortised cost	2 379 679	2 262 670
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	-	-
	Bank Balances			
	Bank Balances	Financial instruments at amortised cost	97 496 777	76 324 212
			151 099 871	128 854 493
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		151 099 871	128 854 493
	At amortised cost		151 099 871	128 854 493
45.2	<u>Financial Liability</u>	<u>Classification</u>	2018 R	2017 R
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	5 204 974	7 345 204
	Capitalised Lease Liability	Financial instruments at amortised cost	-	236 551
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	7 391 123	11 098 238
	Retentions	Financial instruments at amortised cost	3 679 932	4 110 624
	Deposits	Financial instruments at amortised cost	387 869	210 050
	Other	Financial instruments at amortised cost	23 649 923	23 901 362
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	5 750 092	2 601 158
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	2 276 380	3 293 689
	Capitalised Lease Liability	Financial instruments at amortised cost	-	423 562
			48 340 293	53 220 438
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		48 340 293	53 220 438

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

46	IN-KIND DONATIONS AND ASSISTANCE	2018 R	2017 R
	Land and Buildings donated by rural Development	-	54 942 896

47	PRIVATE PUBLIC PARTNERSHIPS
	Council has not entered into any private public partnerships during the financial year.

48	CONTINGENT LIABILITY	2018 R	2017 R
	Claims against Council	3 013 366	3 013 366
	Estimate legal Fees	-	110 000

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. Management are respectfully of opinion that this matter will be successfully defended. The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure. The following are naritives of the cases:

F Daniels / SALGBC & two others	The applicant was the former Manager of Traffic. He was dismissed after an internal disciplinary hearing on 21/09/2009, where after he unsuccessfully appealed internally against the sanction of dismissal. Management is of opinion that the risk of the municipality being ordered to pay Mr Daniel's legal fees is slim.	1 000 000	1 000 000
L Louw	A child was assaulted at the Pine Forest. The claimant alleged that the security measures at the Pine Forest were not sufficient to protect the child. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	1 427 600	1 427 600
Gunter	Plaintiff claims damages from the municipality after she fell on the sidewalk. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	585 766	585 766
		3 013 366	3 013 366

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

49	RELATED PARTIES	2018 R	2017 R
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
49.1	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
49.2	Compensation of key management personnel		
	The compensation of key management personnel is set out in Note 27 to the Annual Financial Statements.		
49.3	Other related party transactions		
	No purchases were made during the year where Councillors or staff have an interest.		
49.4	Ceres Koekedouw Management Committee		
	Ceres Koekedouw Management Committee is an entity established by the Witzenberg Municipality and the Koekedouw Irrigation Board. Ceres Koekedouw Management Committee is responsible for the management of the Koekedouw Dam, jointly owned by Witzenberg Municipality and the Koekedouw Irrigation Board.		
	The following contributions included with General Expenses were paid to the Ceres Koekedouw Management Committee	934 826	538 040
50	FINANCIAL SUSTAINABILITY		
	Management is of the opinion that will Municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.		
	Financial Indicators		
	The current ratio increased to 2.0:1 from 2.4:1 in the prior year.		
	Cash and Cash Equivalents have increased during the year.		

APPENDIX A - Unaudited
WITZENBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2017	Received during the period	Redeemed / written off during the period	Balance at 30 JUNE 2018
ANNUITY LOANS				R	R	R	R
NED BANK	8.00%	5032113 0001	2018/05/30	234 520		234 520	-
NED BANK	8.00%	5032032 0001	2023/05/30	6 025 771		805 546	5 220 225
DBSA	15.25%	11188/101	2018/09/30	2 372 354		1 523 357	848 998
DBSA	15.50%	10772/101	2018/09/30	539 760		346 384	193 376
DBSA	9.50%	102040/1	2021/09/30	158 482		29 736	128 746
DBSA	8.59%	100605/1	2023/06/30	1 308 008		218 002	1 090 007
Total Annuity Loans				10 638 895	-	3 157 544	7 481 351
TOTAL EXTERNAL LOANS				10 638 895	-	3 157 544	7 481 351

APPENDIX B - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATION

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
80 324 214	(31 905 693)	48 418 521	Budget & Treasury Office	-	(27 133 536)	(27 133 536)
149 471 955	(107 163 793)	42 308 162	Civil Services	-	(99 007 864)	(99 007 864)
71 927 986	(26 784 842)	45 143 144	Community & Social Services	-	(27 156 890)	(27 156 890)
15 120 238	(34 221 320)	(19 101 082)	Corporate Services	-	(35 403 257)	(35 403 257)
221 652 885	(202 333 897)	19 318 988	Electro Technical Services	-	(201 268 467)	(201 268 467)
263 426	(23 025 003)	(22 761 577)	Executive & Council	-	(22 987 266)	(22 987 266)
24 610 710	(27 456 019)	(2 845 308)	Housing	-	(16 465 027)	(16 465 027)
1 309 115	(7 539 676)	(6 230 560)	Planning	-	(8 236 953)	(8 236 953)
23 352 142	(32 530 809)	(9 178 667)	Public Safety	-	(40 440 006)	(40 440 006)
22 976 093	(20 470 545)	2 505 547	Sport & Recreation	-	(44 853 772)	(44 853 772)
611 008 763	(513 431 597)	97 577 166	Total	-	(522 953 037)	(522 953 037)

**APPENDIX C - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
263 426	(25 485 011)	(25 221 585)	Executive and Council	-	-	-
80 324 214	(30 221 860)	50 102 354	Budget and Treasury Office	-	-	-
15 120 238	(36 598 441)	(21 478 204)	Corporate Services	-	-	-
1 309 115	(9 541 315)	(8 232 199)	Planning and Development	-	-	-
71 561 425	(21 175 516)	50 385 910	Community and Social Services	-	-	-
24 610 710	(27 456 019)	(2 845 308)	Housing	-	-	-
18 909 663	(29 465 643)	(10 555 980)	Public Safety	-	-	-
22 976 093	(20 521 342)	2 454 751	Sport and Recreation	-	-	-
366 561	(1 674 994)	(1 308 433)	Environmental Protection	-	-	-
22 143 930	(39 798 604)	(17 654 674)	Waste Management	-	-	-
30 417 096	(29 814 180)	602 916	Waste Water Management	-	-	-
60 771 226	(20 163 564)	40 607 662	Road Transport	-	-	-
40 582 181	(20 452 931)	20 129 250	Water	-	-	-
221 652 885	(201 062 178)	20 590 707	Electricity	-	-	-
-	-	-	Other	-	-	-
611 008 763	(513 431 597)	97 577 166	Total	-	-	-

APPENDIX D - Unaudited
WITZENBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2017 (Unpaid)	Grants Operating Received	Grants Capital Received	Write Offs / Transfers	Other In	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2018	Unspent 2018 (Payable)	Unpaid 2018 (Receivable)
R	R	R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>										
Finance Management Grant	(261 315)	1 550 000	-	-	-	(1 259 695)	(11 243)	17 747	17 747	-
DWAF - Drought relief	-	-	-	-	-	-	-	-	-	-
Municipal Systems Improvement Grant	(0.20)	-	-	-	-	-	-	(0)	-	0
Municipal infrastructure Grant	(90 419)	-	22 739 000	-	-	-	(22 744 251)	(95 671)	-	95 671
Regional Bulk Infrastructure Grant (DWAF)	(114 347)	-	-	-	-	-	(69 421)	(183 768)	-	183 768
Integrated National Electricity Program	(801 458)	-	-	-	-	-	-	(801 458)	-	801 458
Equitable share	-	70 412 000	-	-	-	(70 412 000)	-	-	-	-
Department of Rural Development	471 155	-	-	-	-	-	-	471 155	471 155	-
ACIP funds (DWAF)	-	-	-	-	-	-	-	-	-	-
Expanded Public Works Programme	(14 044)	1 485 000	-	-	-	(1 500 315)	-	(29 359)	-	29 359
Neighbourhood Development Plan	321	-	-	-	-	-	-	321	321	-
<u>Provincial Government Grants</u>										
Library services	-	2 600 000	-	-	-	(2 600 000)	-	-	-	-
Library services Replacement Funding	(143)	5 450 000	-	-	-	(5 449 857)	-	-	-	-
CDW	417 281	148 000	-	-	-	(115 854)	-	449 428	449 428	-
Main roads	(16 800)	120 000	-	-	-	(120 000)	-	(16 800)	-	16 800
Municipal Infrastructure Support Grant	(758 017)	-	(288 480)	-	-	-	-	(1 046 497)	-	1 046 497
Drought Relief	-	-	-	-	-	-	-	-	-	-
State Funeral	-	-	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-
Human Settlement Development	566 634	8 992 338	21 575 176	-	-	(12 643 351)	(15 195 126)	3 295 671	3 295 671	-
Sport	-	-	-	-	-	-	-	-	-	-
Library Capital	-	-	-	-	-	-	-	-	-	-
Multipurpose Centre	322 000	-	-	-	-	(322 000)	-	-	-	-
Capacity Building (Internship)	60 000	286 000	-	(60 000)	-	-	-	286 000	286 000	-
Municipal Infrastructure	(206 126)	-	288 480	-	-	-	(288 480)	(206 126)	-	206 126
Financial Management Support	343 767	-	330 000	-	-	(343 997)	-	329 770	329 770	-
Financial Management	120 000	240 000	-	(120 000)	-	(240 000)	-	-	-	-
Local Government Compliance	-	-	-	-	-	-	-	-	-	-
MSCOA Grant	-	-	-	-	-	-	-	-	-	-
Regional Social Economical Pro	-	-	-	-	-	-	-	-	-	-
<u>District Municipality</u>										
Parks and recreation	300 000	-	-	-	-	-	-	300 000	300 000	-
Tourism Route Development	-	100 000	-	-	-	-	-	100 000	100 000	-
Sanitation Infrastructure	-	500 000	-	-	-	-	-	500 000	500 000	-
Total	338 488	91 883 338	44 644 176	(180 000)	-	(95 007 068)	(38 308 520)	3 370 413	5 750 092	2 379 679

SCHEDULE OF ADJUSTMENTS - Unaudited
WITZENBERG MUNICIPALITY
REVENUE AS AT 30 JUNE 2018

Reclassified from	Amount before adjustments	RECLASSIFIED TO:						
		Fines, Penalties and Forfeits	Licences or Permits	Sales of Goods and Rendering of services	Rental from Fixed Assets	Operational Revenue	Total adjustment	Amount after adjustments
	R	R	R	R	R	R	R	R
Fines	19 242 291	18 923 441	-	-	-	-	-18 923 441	318 850
Licences or Permits	141 796	-	141 796	-	-	-	-141 796	-
Rental of Facilities and Equipment	8 176 974	-	-	2 551 337	5 625 637	-	-8 176 974	-
Other Income	4 792 065	-	-	4 032 412	-	759 653	-4 792 065	-
Total Reclassified	32 353 126	18 923 441	141 796	6 583 749	5 625 637	759 653	(32 034 276)	318 850

SCHEDULE OF ADJUSTMENTS - Unaudited
WITZENBERG MUNICIPALITY
EXPENDITURE AS AT 30 JUNE 2018

Reclassified from	Amount before adjustments	RECLASSIFIED TO:									
		Inventory consumed	Contracted Services	Employee Related Cost	Operational Cost	Bulk Purchases	Interest paid	Operating Leases	Transfers and Subsidies	Total adjustment	Amount after adjustments
		R	R	R	R	R	R	R	R	R	R
Repairs and maintenance	23 000 709	9 214 454	10 686 967	1 450 257	1 402 672	246 359	-	-	-	-23 000 709	0
General Expenditure	43 760 685	7 488 086	6 831 476	2 886 876	23 486 177	1 876 123	-	782 317	409 630	-43 760 685	-0
Contracted services	41 869 152	64 568	-	1 622 355	3 532 438	-	-	-	24 264 670	-29 484 031	12 385 121
Grants and Subsidies	941 038	-	-	-	-	-	-	-	941 038	-941 038	-
Collection cost	773 248	-	773 248	-	-	-	-	-	-	-773 248	-
Unamortised Discount - Interest paid	615 809	-	-	-	-	-	615 809	-	-	-615 809	-
Total Reclassified	110 960 641	16 767 107	18 291 691	5 959 487	28 421 287	2 122 483	615 809	782 317	25 615 338	(98 575 520)	12 385 121